



SECTION 2

The Capital Project Request

2.1 Requirements Differ for Different Types of Projects

The different types of projects

There are several different types of capital projects:

- Major capital projects
- Individual projects under \$5 million
- Minor works
- Grants
- Special projects
- Acquisition
- Alternate financed

Different types of projects have different requirements. At a minimum, each capital project should have a form C2 that details the project. The form C2 is produced through electronic submittal in CBS.

Agencies must provide appropriate fund sources

Appropriate funding sources for projects in the capital plan must be identified. Selection of an appropriate fund source should occur after agency priorities are established. The determination of which projects can be supported by the state General Fund, dedicated accounts, bond funds subject to the state's debt limit, or alternate financing source should not dictate what is included in the budget. For short-term improvements, agencies are expected to use cash accounts whenever possible. For larger projects with a long useful life, long-term bond sales or other long-term financing options may be appropriate.

Bond-eligible projects have a dollar limit

OFM has established a dollar cost limit and useful life for capital projects to be eligible for financing from bond proceeds. During the 2005-07 Biennium, the minimum threshold for a project to be eligible for bond financing is set at \$25,000 and 13-year useful life.

2.2 Major Capital Projects

Major capital projects have one or more of the following features: cost more than \$5 million (regardless of fund sources), lease more than 30,000 new gross square feet of space, or take two or three biennia to design, construct, and occupy.

Required elements for major capital projects

Major capital projects:

- Require a form C2, form C100, and a project request report (see Appendix A);
- Must be requested individually through CBS;
- Require a predesign study, unless the project is alternate financed. Feasibility studies, master plans, engineering reports, and other information gathered by the agency should be submitted in support of the predesign request; or
- That are alternate financed require a project request report that includes a comprehensive financing plan (see section 2.6).

If a predesign study is approved by OFM, all requests for design or construction funding must include:

- A project request report previously reviewed by OFM and legislative staff with any updates noted (see Appendix A);
- A completed operating budget decision package that reflects future operating budget impacts;
- A detailed cost estimate submitted electronically (form C100) for design or construction funding requests (the Excel template is available at www.ofm.wa.gov/budget/forms.htm); and
- A comparison of the design elements to the predesign.

Required elements for leases over 30,000 gross square feet

For projects that involve new leases for more than 30,000 new gross square feet, the following requirements apply:

- Agencies must complete a lease/purchase analysis using the Joint Legislative Audit and Review Committee (JLARC) model. Contact the Department of General Administration at (360) 902-7300 for more information.
- The purchase cost used in the analysis must be backed by a C100 cost estimate.
- A completed operating budget decision package, including feasibility studies, master plans, space programming, and operating budget impacts, needs to be submitted.

Three phases for major projects

There are three major phases associated with completion of major capital projects:

Predesign **The predesign phase** is defined as the first phase of a major capital project and is conducted prior to the design phase. Predesign also may be required for projects that have significant policy implications or technical, logistical, or cost concerns to a program or agency. (See OFM Predesign Manual.)

The objective of predesign is to define and balance the elements of the agency's strategic plan, master planning, scope, schedule, budget, and siting by addressing the questions of why, how, where, and when. Predesign involves a disciplined methodology of data collection, analysis, organization, communication, and evaluation through which all the human, physical, and external influences on a facility's design may be explored and generates and discusses alternatives for the project.

Predesign includes those tasks necessary to establish an agency's programmatic, financial, and schedule requirements, as well as limitations for a project. It does *not* include tasks such as master planning, ADA evaluations, or historical documentation. Predesign is the first step in the major project planning process. It lays the foundation of information to enable the Governor and Legislature to evaluate how the project matches the agency's programmatic needs. Following approval, the predesign then allows the designer to respond effectively and economically to an agency's program requirements within the parameters defined for the facility.

Predesign studies must comply with the standards identified in the OFM Predesign Manual, revised in June 2001. Predesign studies for which design or construction funds will be requested in 2005-07 are due to OFM no later than July 1, 2004. Failure to meet this deadline may affect the inclusion of the project in the 2005-07 capital budget.

Design **The design process** incorporates all prior predesign or information from the administering agency into written and graphic documents. These documents form the basis for taking bids and constructing the facility. In the design phase, the needs, ideas and proposals of the agency are transformed into plans and specifications.

Normally, the design phase consists of three basic parts, each of which includes preparation of both drawings and written specifications:

- Schematic design
- Design development
- Construction documents

For most construction projects, an architect/engineer (A/E) assumes overall responsibility as the owner's agent for the design, bid, and construction observation functions. This includes ensuring that the project is completed within the limits of an established budget. The A/E also coordinates the activity of other design professionals working on the project.

Construction **The construction phase** transforms the needs, ideas, and proposals of the agency, as defined by the plans and specifications, into a physical structure. The construction phase begins with the bid and continues to final acceptance of the construction project. Upon completion and approval of the final construction documents, including the bidding requirements, the project is ready to be released to contractors to obtain proposals or bids.

Sustainable design



In 2002, Governor Locke signed Executive Order 02-03, Sustainable Practices by State Agencies. This executive order directed state agencies to develop sustainability objectives and to develop a sustainability plan, aimed at modifying their practices regarding resource consumption; vehicle use; purchase of goods and services; and facility construction, operation and maintenance. In 2004, Governor Locke signed Executive Order 04-01, Persistent Toxic Chemicals, that directed, among other things, each state agency, as part of its sustainability plan, to adopt measures to reduce the use of equipment, supplies, and other products that contain persistent, toxic chemicals.

Sustainable or “green building” design and construction is an important way for state agencies to meet the objectives of these executive orders.

Sustainable design and construction is a holistic approach that minimizes environmental impact, reduces maintenance, and creates a more desirable workspace for the occupants. Sustainable building focuses on siting issues, energy and water efficiency, recycled content building materials, minimizing local and global environmental effects caused by buildings, and indoor environmental quality.

Agencies seeking predesign funding for major projects in 2005-07 are encouraged to design sustainable facilities to achieve a minimum of a U.S. Green Building Council LEED™ (Leadership in Energy and Environmental Design) Silver Standard or an equivalent standard. For projects over \$5 million, a sustainable design charrette during the predesign will be required. Projects entering the design phase in the 2005-07 Biennium also are encouraged to be designed using sustainable building principles to achieve a minimum of a LEED™ Silver Standard or equivalent standard.

To better understand how the state’s construction program measures up to a sustainable standard, OFM will begin collecting data on all major projects seeking allotment of construction funds in the 2005-07 Biennium. As part of the allotment process, OFM will require agencies to provide a self-assessment of the project and discuss the strategies used during design. Projects not meeting a sustainable standard will be required to provide reasons why the standard was not met.

Additional information on sustainability can be obtained from <http://www.ofm.wa.gov/sustainability/links.htm>; the Governor's sustainability coordinator, Lynn Helbrecht, at (360) 902-0557; and the Department of General Administration's Engineering and Architectural Services Energy Section at (360) 902-7272.

2.3 Individual Projects Under \$5 Million

Required elements for projects between \$1 million and \$5 million

Programmatic projects under \$5 million should include a predesign study when the project has significant policy implications or technical, logistical, or cost concerns to a program or agency. For these smaller-valued projects, predesign, design, and construction funds may be requested together in one appropriation. A review by OFM staff prior to the submittal of the capital plan is recommended if a project appears to fit within this category. Preservation projects under \$5 million do not require a predesign study. However, many of the steps contained in a predesign study are useful in generating information and options necessary for analysis of any project.

The following applies to projects between \$1 million and \$5 million:

- They must be requested individually and submitted through CBS.
- Predesign studies may be required for programmatic projects.
- Form C100 must be submitted for design and construction funding requests.
- Alternate financed projects require a project request report that includes a comprehensive financing plan (see section 2.6).

Required elements for projects between \$25,000 and \$1 million

Individual capital projects with an estimated value between \$25,000 and \$1 million are requested on a form C2. Form C100 can be included if details are known. The following applies to these projects:

- Projects that affect policy or are particularly sensitive must be requested individually.
- A narrative description and justification for the projects must be provided.
- Agencies may be required to provide additional justification on these projects during the executive and legislative budgeting process.

2.4 Minor Works Projects

Consolidate smaller projects

Management of small and related capital projects is more efficient under one larger capital appropriation rather than several smaller individual appropriations every few years and is an effective capital budget strategy (especially for preservation projects). Agencies should consolidate smaller projects into minor works project requests and, whenever possible, minor works project requests should incorporate all small improvements, renovations, and upgrades necessary at a specific facility for the foreseeable future.

Minor works requests



Minor works project requests are single line appropriations that include multiple projects valued between \$25,000 and \$1 million each, are of a similar nature, and can generally be completed within two years. Minor works appropriations shall not be used for studies, except for technical or engineering reviews or designs that lead directly to and support a project on the same minor works list; planning; design outside the scope of work on a minor works list; moveable, temporary, and traditionally funded operating equipment not in compliance with the equipment criteria in Section 4.3; software not dedicated to control of a specialized system; moving expenses; land or facility acquisition; or to supplement funding for projects with funding shortfalls. Exceptions to these criteria may be approved by OFM after legislative consultation.

Minor works categories

In conjunction with a study conducted by the Joint Legislative Audit and Review Committee (JLARC), the minor works categories have been standardized. Agencies should submit C2s and project lists based on these categories:

1. Health, safety, and code requirements;
2. Facility preservation;
3. Infrastructure preservation; and
4. Program.

These categories are defined in Section 3.1, and agencies should submit separate minor works requests for each relevant category through CBS. Improvements for accessibility in compliance with the Americans with Disabilities Act may be included in any of the above minor works projects.

2.5 Grants, Special Projects, and Acquisition

Grants and special projects	Grants and special projects are single-line appropriations that may include multiple, smaller sub-projects. Grant project requests require a form C2 that details the request and may require a list of grantees and project names.
Emergency funds	Emergency funds may be requested as a capital project based on prior spending history within the agency. A clear description of the process used to allocate funds to specific projects should be attached, and amounts provided for this purpose and their use in the last three biennia identified. Emergency repairs shall only be used for unanticipated building or infrastructure repairs for the <u>immediate</u> protection of capital assets and protection of health and safety. Emergency funds are not to be used for routine maintenance.
Acquisition	<p>Capital project requests for land and/or property acquisition activities should include an attachment to the C2 form that provides the following information:</p> <ul style="list-style-type: none"> • The result of the agency analysis that ensures that the land and/or facility proposed for acquisition will meet agency and program needs, including support of statewide results and activities. Be sure to identify its specific use. • The result of an environmental review and engineering inspection of the property that ensures its suitability in terms of condition and location. (This requirement does not pertain to habitat acquisition.) • The proposal for financing improvements. <p>Identification of the long-term future operating costs associated with the acquisition.</p> <p>Property acquisition costs should include the cost of purchasing sites or facilities and all attendant costs necessary to prepare the property for agency use. The costs of site improvements, right of way, or conditions of the purchase must be included in the cost of acquisition if such items are required in order to use the property for its intended purpose.</p>
<i>O&M costs for habitat and recreation land acquisitions</i>	RCW 43.88.030 requires agencies proposing the acquisition of land or capital improvement of land for which the primary purpose is recreation or wildlife habitat conservation to identify the projected costs of operation and maintenance for at least the two biennia succeeding the next biennium. Minor works project lists of habitat

and recreation land acquisitions must include individual project cost estimates for operation and maintenance as well as a total for all state projects included in the list, identifying the fund source from which these costs are proposed to be paid. For additional instructions on reporting this information, contact Jim Skalski, OFM, at (360) 902-0654.

2.6 Alternate Financed Projects

Alternate financed projects are included in capital plan

Capital projects that are funded by alternate financing mechanisms are identified in the Ten-Year Capital Plan (and displayed in the biennial capital budget) because they represent long-term occupancy proposals and result in long-term costs.

The definition of “financing contracts,” as contained in RCW 39.94.020, means “any contract entered into by the state for itself or on behalf of another agency which provides for the use and purchase of real or personal property by the state and provides for payment by the state over a term of more than one year, and which provides that title to the subject property may secure performance of the state or transfer to the state or an other agency by the end of the term, upon exercise of an option, for a nominal amount or for a price determined without reference to fair market valued.”

Included in this broad category of alternate financing requests are the following:

- **Major leases** involving more than **30,000 new gross square feet of space**.
- **Lease development** projects that involve construction or renovation of a privately financed building of more than 30,000 gross square feet for purposes of state use or occupancy.
- Construction or renovation projects that are financed by **Certificates of Participation (COPs)**.
- **Other alternate financing** proposals include the development or use of space by state agencies through a contractual arrangement with a developer or financing entity. The sale of debt obligations or COPs through the State Treasurer may be involved, or financing may be offered by a private developer. Title to the property involved may transfer to the state either upon exercise of an option or at the termination of the contract.

Required elements for alternate financed projects

Requirements for alternate financed projects include:

- Form C2.
- Form C100.
- Comprehensive financing plan that documents the flow of revenues and expenditures, and demonstrates that sufficient fund balance exists in the dedicated accounts used for payment of debt service. Include all fund sources and discuss the funding for operating costs for new or remodeled structures.
- Project Request Report for projects over \$1 million.
- Operating budget decision package for debt service.
- Lease versus purchase analysis for any long-term lease request.

2.7 How OFM will Evaluate Project Requests



Evaluation of capital budget project requests may include, but not be limited to, analysis based on the following criteria:

Program projects:

- Linkage to the strategic plan and/or how the project accommodates strategic direction, goals, and objectives.
- Linkage to the agency's activity inventory and performance measures.
- Linkage to the Priorities of Government (POG) statewide results and activities.
- Is the project consistent with operating budget requests?
- Why is this project the preferred alternative?
- How does this project address the described need?
- What is the cost of the project in relation to other projects of a similar nature? Baseline can come from projects both within and outside of Washington State.

Preservation projects:

- Linkage to the strategic plan and/or how the project accommodates strategic direction, goals, and objectives.
- Linkage to the agency's activity inventory and performance measures.
- Linkage to the Priorities of Government (POG) statewide results and activities.
- Program impact of deferral.

- Maintenance history.
- Condition of asset as described in the facility inventory system (FIS).
- Accurate and up to date information in the FIS.
- Cost of preservation versus replacement.
- Relationship to deferred maintenance backlog reduction plan.

Grant projects:

- Linkage to the strategic plan and/or how the project accommodates strategic direction, goals, and objectives.
- Linkage to the agency's activity inventory and performance measures.
- Linkage to the Priorities of Government (POG) statewide results and activities.
- Statutory requirements and limitations.
- Overall budget limitations.

Alternate financed projects:

- Linkage to the strategic plan and/or how the project accommodates strategic direction, goals, and objectives.
- Linkage to the agency's activity inventory and performance measures.
- Linkage to the Priorities of Government (POG) statewide results and activities.
- Comprehensive financing plan.